



February 6, 2003

Former Fidelity employee convicted of investment swindle

Fidelity lost \$2.39 million

A federal jury has convicted **Richard P. Callipari**, formerly of Johnston, Rhode Island, of participating in a scheme to defraud Fidelity Investments through unauthorized index option trades. Fidelity lost approximately \$2.39 million in the fraud scheme.

United States Attorney Margaret E. Curran announced the verdicts, which the jury returned in U.S. District Court, Providence, after a nine-day trial and approximately eight hours of deliberation. The jury found Callipari, 39, guilty of conspiracy, wire fraud, and obstructing an investigation. He is free on bond pending sentencing, which is scheduled for April 28 before U.S. District Court Judge Mary M. Lisi, who presided over the trial.

During the trial, Assistant U.S. Attorneys Peter A. Mullin and Adam J. Bookbinder presented evidence that Callipari, in concert with others, conspired to defraud Fidelity in connection with index options trading on the Chicago Board of Options Exchange (CBOE).

Callipari was a Fidelity trader in Boston whose job was eliminated in April 1997. Beginning in July 1997, according to the evidence, Callipari began trading for JAS Securities, a New York city broker-dealer firm. Callipari allowed a coconspirator, **Thomas J. Connolly**, a Fidelity trader, to trade in index options on the Chicago

-more-

Board of Options Exchange for the benefit of Callipari's JAS account, even though JAS had no account at Fidelity and Connolly was not authorized to make such trades. At the time, Callipari operated out of an office in Johnston, Rhode Island, at 1478 Atwood Avenue. He also lived in Johnston, at 5 Macera Farms Road.

Between July and early September 1997, Connolly made successful trades for Callipari, earning \$500,000 in profits. Callipari received about \$220,000 of those profits. In mid-September, however, Connolly's trading turned negative, resulting in about \$2.39 million in losses. Callipari tried to reject all of the losing trades, telling traders at the Chicago Board that he had not authorized them, and, as a result, Fidelity ended up incurring all of the \$2.39 million in losses. Much of the evidence presented during the trial consisted of recorded telephone calls between Callipari and traders.

In February 1998, as the Securities and Exchange Commission (SEC) was investigating Callipari's activities, he gave sworn testimony, which the evidence showed was false.

A criminal investigation was begun by the Federal Bureau of Investigation and the U.S. Attorney's Office in Boston but was moved to Rhode Island when it was determined that Callipari's criminal conduct occurred in Johnston. On July 30, 2002, a grand jury in Providence charged Callipari with conspiring with Connolly to defraud Fidelity, ten counts of wire fraud, and corruptly endeavoring to obstruct and impede an SEC investigation by means of false, misleading, evasive, and deceptive testimony. The trial jury convicted Callipari of all twelve charges. Connolly, currently of Falmouth, Massachusetts, previously pleaded guilty to conspiracy and is free on bond awaiting sentencing.

The statutory maximum prison sentence for each count is five years in federal prison. The conspiracy and wire fraud counts also carry fines of up to \$250,000 or twice the amount of gain or loss. The obstruction count carries a maximum fine of \$250,000.

Callipari's

sentence will be determined on the basis of federal sentencing guidelines, which take into account such factors as the specific nature and impact of an offense and a defendant's criminal background, if any.

The case was investigated by the **Federal Bureau of Investigation** in Boston, with assistance from the **Securities and Exchange Commission**. It is being prosecuted by Assistant U.S. Attorneys Mullin and Bookbinder, who are stationed at the U.S. Attorney's Office in Massachusetts but have been assigned to the U.S. Attorney's Office in Providence for this case.

-30-

Contact: 401-528-5224

E-mail: thomas.connell@usdoj.gov